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INR-07 NSAE-00 RSC-01 L-04 H-02 SS-20 NSC-10 SSO-00
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DEPARTMENT OF STATE A/CDC/MR 05 MAY 1982
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LIMITED OFFICIAL USE ROME 2392

SUBJECT: CIVAIR NEGOTIATIONS

REF: STATE 070660

FROM USDEL

1. WASHINGTON SHOULD FOCUS ON POSSIBILITY NO AGREEMENT WILL BE REACHED THIS WEEK OR INSUFFICIENT PROGRESS TO JUSTIFY STAYING BEYOND THIS WEEK. SHOULD THIS DEVELOP USDEL NOW BELIEVES TWO SIDES MUST CONSIDER WHAT INTERIM ARRANGEMENTS SHOULD BE IN EFFECT DURING NO AGREEMENT SITUATION.

2. US DEL OF VIEW THREE POSSIBILITIES EXIST:
A. UNDERSTANDING ON SUMMER SCHEDULES,
B. UNDERSTANDING ON LONGER TERM PERIOD WHICH MIGHT LAST AS LONG AS TWO OR THREE YEARS, OR
C. NO UNDERSTANDING IN WHICH CASE EACH SIDE WOULD BE FREE TO TAKE ANY ACTION NECESSARY TO PROTECT ITS INTERESTS.
THE FIRST ALTERNATIVE WOULD SIMPLY DEFER UNTIL LATER IN THE YEAR DECISION ON SUBSEQUENT ARRANGEMENTS. IT WOULD ALSO GIVE TWO SIDES CHANCE TO REVIEW NEGOTIATING SITUATION TO DETERMINE IF ANY NEW BASIS CAN BE FOUND FOR AGREEMENT.
THE SECOND ALTERNATIVE WOULD PROVIDE STABILITY OF MUCH LONGER PERIOD BUT WOULD BE MORE DIFFICULT TO WORK OUT.
ELEMENTS WHICH MIGHT BE INCLUDED IN LONGER TERM ARRANGEMENT

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WOULD PRESUMABLY INCLUDE CAPACITY AND UNDERSTANDING ON ALL CARGO DEAL FOR U.S. WHILE ITALIANS WOULD PROBABLY WANT ONE OR MORE ADDITIONAL POINTS.

3. THE THIRD ALTERNATIVE INVOLVES DANGER OF SOME FORM OF CONFRONTATION. UNLESS U.S. WILLING TO ACCEPT ITALIAN CONCEPT OF PARITY WE WOULD HAVE TO FACE POSSIBILITY U.S. RETALIATION AGAINST ITALIAN RESTRICTIONS FOLLOWED BY SUCCESSIVE RETALIATORY ACTION ON BOTH SIDES WHICH COULD INCLUDE ELIMINATION U.S. BEYOND RIGHTS. IN SUCH CONFRONTATION, WE WOULD HAVE TO FACE POSSIBILITY THAT PUBLIC OPINION ON ITALIAN SIDE AND FIRM U.S. INDUSTRY POSITION ON U.S. SIDE MIGHT SUBSTANTIALLY INHIBIT FREEDOM OF ACTION OF BOTH GOVERNMENTS.

4. IN ANY EVENT IF QUESTION OF INTERIM ARRANGEMENTS ARISES, USDEL BELIEVES ESSENTIAL TO MENTION POSSIBILITY OF U.S. RETALIATION AGAINST ITALIAN RESTRICTIONS. THIS COULD INCLUDE DENIAL OF ALL ITALIAN 747 SERVICES IF ITALIANS RESTRICT U.S. 747. SUCH POSITION PRESUMABLY POSSIBLE ONLY IF U.S. CARRIERS PREPARED TO OPERATE NO 747'S TO ITALY THIS YEAR. USDEL BELIEVES IMPORTANT THAT U.S. WARNINGS ABOUT RETALIATION NOT BE EMPTY. IF USG UNABLE OR UNWILLING RETALIATE QUESTION THEN ARISES WHETHER U.S. CARRIERS WOULD OPERATE THAT DESIRED 747 LEVEL. BECAUSE OF CARRIER UNCERTAINTY HERE IMPORTANT GET CARRIER FIRM POSITION AT HIGHEST LEVELS ON THESE ISSUES.

5. IN TODAY'S MEETING USDEL HOPES TO PERSUADE ITALIANS DEFER FURTHER CONSIDERATION OF MULTIPLE DESIGNATION AND ROUTES UNTIL POSITION CLEAR ON ALL OTHER ISSUES. WE PORPOSE TO BE FIRM ON THIS.

6. WASHINGTON COMMENTS ON THE ABOVE REQUESTED SOONEST.
MARTIN

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